

MINUTES
CALIFORNIA STEM CELL RESEARCH AND CURES FINANCE COMMITTEE

California Stem Cell Research and Cures Act of 2004

Date: April 4, 2006
Time: 2:00 p.m.
Place: State Treasurer's Building
915 Capitol Mall, Room 587

1. Call to Order.

Pursuant to Call of Chairperson, Dennis Trujillo of the State Treasurer's Office, and in accordance with notice duly given to all members of the Committee, the Committee, under the California Stem Cell Research and Cures Act of 2004 convened in Room 587, 915 Capitol Mall, Sacramento, California on April 4, 2006. The Chairperson called the meeting to order at 2:00 p.m. A quorum was present.

2. Roll Call.

The following members were present:

DENNIS TRUJILLO, representing the State Treasurer
RICHARD CHIVARO, representing the State Controller
ANNE SHEEHAN, representing the Director of the Department of Finance
ROBERT KLEIN, Chairperson, Independent Citizen's Oversight Committee, governing body of the California Institute for Regenerative Medicine
MARCY FEIT, member, Independent Citizen's Oversight Committee
TED W. LOVE M.D., member, Independent Citizen's Oversight Committee

3. Approval of Minutes of the May 9, 2005 Meeting.

The Committee unanimously approved adoption of the May 9, 2005 meeting minutes.

4. Election of the Finance Committee Secretary.

The Committee unanimously approved the election of Charles Fitzpatrick of the State Treasurer's staff to serve as Finance Committee Secretary.

5. Designation of Clerk, Officer or Employee of the Committee to attend any closed session of the Committee for purposes of keeping a minute book of any closed sessions.

The Committee unanimously approved the designation of Charles Fitzpatrick of the State Treasurer's staff to serve as Clerk, Officer or Employee of the Committee for purposes of keeping a minute book of any closed sessions.

6. **Discussion/Update of Interim Financing Options pursuant to the California Institute for Regenerative Medicine's request to issue Bond Anticipation Notes.**

Katie Carroll, the Director of the Public Finance Division of the State Treasurer's Office, provided a report on interim financing options and the bond anticipation notes (BANs). Ms. Carroll stated that no other alternatives besides the BANs were identified as viable interim financing options. She then presented the key terms of the proposed BANs, including the eligible purchasers, interest rate, conflict of interest provisions, taxable status of interest on the BANs, and the State's limited repayment obligation. She also stated that should the Committee approve the resolution, staff believes that the initial round of BANs totaling \$14 million could be closed by the end of the week if everything goes smoothly.

Mr. Trujillo asked if there were any questions for Ms. Carroll. There were no questions.

7. **Consideration of Resolution IV, under the California Stem Cell Research and Cures Bond Act of 2004, amending and restating the provisions of Resolution III to authorize the issuance of State of California Stem Cell Research and Cures Bond Anticipation Notes in the Aggregate Principal Amount Not to Exceed \$200,000,000.**

Ms. Carroll presented a staff report on this item and described the technical amendments to the original resolution, including events of default, renewal provisions, additional debt limitations, the requirement for sophisticated investors, and the addition of a purchaser representation letter. She also said that the BANs would be issued on a taxable basis since bond counsel can not issue a tax-exempt opinion at this time, and that the BANs will pay a variable rate of interest.

Mr. Trujillo asked if there were any questions.

Ms. Sheehan inquired as to whether staff had requested assistance from the IRS regarding tax issues. Ms. Carroll responded that counsel had advised the State Treasurer's Office not to seek a private letter ruling from the IRS until a later date when all of the questions could be asked at one time.

Ms. Sheehan commented that while the Department of Finance had abstained on a previous vote, they now felt it was important to move forward with the BANs as many of their questions had been answered. She also said that she had spoken with the chair of the ICOC about the ICOC keeping the Committee informed as to how the money is being spent and what progress is being made. She thanked the chair of the Committee and Mr. Klein for addressing the questions from the Department of Finance.

Mr. Trujillo thanked Ms. Sheehan for her comments and said the State calls for full disclosure, and that the information should be available on the Internet. Mr. Klein said that he was in agreement and would continue to provide reports to the Committee as well as to the Governor, Controller and the Treasurer.

Mr. Trujillo asked if there were any public comments.

Mr. Jesse Reynolds of the Center for Genetics and Society commented that he was encouraged by the progress made with the BANs and was pleased that the terms of the BANs and the names of purchasers had been made public. He also requested that the public be made aware of changes in ownership or terms of the BANs, including conflict of interest provisions.

Mr. Trujillo thanked Mr. Reynolds and asked if there were any additional public comments.

Mr. Klein stated that the terms of the BANs would include a provision that would not permit the purchaser of any BANs to become an applicant for grants.

Ms. Sheehan asked about how a change in ownership of bond anticipation notes would be communicated to the Committee. Ms. Carroll said normally that kind of information is not reported, but she will look into the matter with staff. She also said that any subsequent purchaser would have to sign the same letter of representations, which includes conflict of interest provisions, as the initial purchaser.

The Committee unanimously approved Resolution IV.

8. **Adjournment to a closed session to confer with, and receive advice from, legal counsel, pursuant to Government Code Section 11126(e)(2)(A), regarding the People's Advocate and National Tax Limitation Foundation v. Independent Citizens' Oversight Committee et al. (Alameda County Superior Court Case No. HG05206766) consolidated in Alameda County Superior Court with a subsequently filed reverse validation action entitled California Family Bioethics Council, LLC v. California Institute for Regenerative Medicine, California Stem Cell Research and Cures Finance Committee et al. (Alameda County Superior Court Case No. HG05 235177), and matters pertaining to such litigation.**

The Committee adjourned to closed session at approximately 2:22 p.m.

9. **Reconvene Open Session.**

The Committee reconvened the open session at approximately 2:30 p.m.

10. **Consideration of Resolution V to authorize the Attorney General's Office as legal counsel and authorize Bond Counsel as co-counsel for matters pertaining to the litigation pursuant to Agenda Item 8 above and any litigation affecting the ability to sell bond anticipation notes or bonds.**

Mr. Trujillo asked if there were questions or public comments. There were none.

The Committee unanimously approved Resolution V.

11. **Other non-action items.**

Mr. Klein thanked the Attorney General's Office, the State Treasurer's Office, The Department of Finance and the Controller's Office and the other members of the Committee for their work, commitment and cooperation on this historic new program for the State of California. He also said that he wanted to make it clear that the ICOC will follow the transparency set by example of the Treasurer's Office with the publishing of the terms of the BANs and the names of the purchasers. He also stated that he wanted to correct the mis-impression that the BAN purchasers would get something named after them, which is not the case.

12. **Adjournment.**

The meeting was adjourned at approximately 2:46 p.m.